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SUBJECT: GOC'S REFUGEE PROGRAMS: PUTTING THEIR MONEY WHERE
THEIR MOUTH IS

Ref: Zagreb 173

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11. (SBU) Summary and Comment. Ambassador and Principals from the EU, UNHCR, and the OSCE convened with Minister Bozidar Kalmeta on 15 March to review the month's progress on refugee issues. The Minister provided the GOC's sizeable financial commitments, which total \$350 million in 2006 - or one percent of Croatia's GDP. Due in part to Post's activism, the GOC has stepped up its re-electrification program and hopes to finish by 2007. With IC assistance, the GOC has developed a draft solution for handling property investment claims of temporary occupants, which should help resolve the 25 outstanding cases. Progress on the housing care program (occupancy and tenancy rights, or OTR) remains slow: the GOC has only resolved a small number of applications. Kalmeta presented a comprehensive and ambitious housing implementation plan. If the GOC does implement the program in a timely manner, they will make a significant step this year towards completion. However, the GOC needs to update its entire refugee "Road Map" and commit to quickly resolving outstanding issues. Areas such as residency status and investment claims are much more straightforward (and inexpensive) than complex programs such as housing, and therefore could be quickly settled.

12. (SBU) In a related meeting on 27 March, the three international organizations met with their colleagues from SAM and B-H to revive the stalled Sarajevo Declaration process. The most contentious issue within those missions remains Croatia's progress on resolving OTR. The group sent a mildly-worded letter to leaders of the three countries noting that they are behind schedule and requesting resolution of the outstanding issues. They specifically addressed OTR in Croatia and local integration of refugees in SAM. Head of the OSCE Mission in Croatia Ambassador Jorge Fuentes told us that he believes the GOC is not getting credit in the region for the progress they have made. We are encouraged by the GOC's implementation plans as they are more specific than in the past. Post, along with other IC members, will continue pressing the GOC to resolve outstanding issues and ensure completion of their commitments. End Summary and Comment.

The Bottom Line: Financial commitments

13. (U) Minister Kalmeta presented to the Principals the large financial commitments required to close the refugee portfolio. In 2006, the GOC plans to spend a total of \$350 million from all Ministries on refugee-related programs. Kalmeta's budget advisor told us that figure represents about 1 percent of Croatia's GDP, indicating that refugees are an issue that they are actively working to resolve. Kalmeta's Ministry's budget this year is \$275 million for these programs, and he told us that the 2007 budget will be similar; as reconstruction funds sunset because of program completion, the GOC will reallocate those funds for social and economic recovery programs in the war-affected areas.

14. (U) For 2006, the GOC has budgeted \$114 million for house reconstruction that will largely be completed this year. Ninety-one million dollars will be allocated for reconstruction of utilities and infrastructure projects and about \$50 million will be spent on demining (about one quarter of which comes from donor funds). A general fund for refugee, returnee, and IDP assistance totals \$27 million. In addition, another \$68 million will be allocated for various housing and construction programs primarily in war-affected areas.

Plugging in Returnee Villages

15. (U) The GOC plans to increase the pace of re-electrification and complete it by 2007 (although OSCE estimates it will take another three years). The state-owned electricity company, HEP, will have a sizeable profit for 2006 and will reinvest about \$8.3 million of it towards re-electrification. Next year they anticipate similar profit and reinvestment. In total, the GOC will spend \$20 million on re-electrification this year, which includes about 30 ethnic Serb villages. According to this plan, about 200 ethnic Serb villages will remain to be connected. In April, the Ambassador will visit for the second time an

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ethnic Serb returnee village that was recently re-electrified after more than seven years of darkness.

Recognizing Occupancy and Tenancy Rights

16. (SBU) Prior to the meeting, Post and other IC members received from the Ministry a detailed plan for former holders of occupancy and tenancy rights (OTR). The four-year implementation plan foresees the expenditure of \$200 million for the purchase and construction of 3,875 apartments in mostly urban areas and the expenditure of \$123 million for similar apartments in the war-affected areas. Funds will be secured in part by potential loans from IFIs. There are a total of 8,500 applications that the GOC intends to resolve within the year. The GOC will provide a breakdown with specific annual targets for the program, which includes purchase of 400 apartments in 2006.

17. (U) The construction of extra apartment blocks, particularly in urban centres such as Osijek, Karlovac and Sisak, will start at the beginning of 2007. In the meantime, the GOC has promised to keep Principals informed on a monthly basis of the preparations for construction (urban planning, purchase of building sites, and the process of issuing public tenders). Principals asked that the GOC avoid ghettoization of Croatian Serbs through an allocation of apartments in ethnically mixed areas.

18. (SBU) State Secretary Damir Spancic reported OTR progress to the Principals in the past month. His office has sent notices to 800 former OTR holders that their applications have been approved and noted that the GOC has allocated apartments to an additional 18 families since the prior meeting. Kalmeta told the Principals that the program's implementation is only constrained by the GOC's general financial restrictions. The IC noted that the pace

of allocation needs to increase in order to close the portfolio anytime soon.

Resolving Unsolicited Property Investments

¶9. (SBU) Currently there are about 25 legal cases of temporary occupants who are requesting compensation from owners for improvements they made to a property while they lived in or operated a business out of it. These cases, while often egregious, are few, and the IC and the GOC are collaborating to develop a solution. Working with the State Attorney's Office, the Ministry drafted a protocol by which the State would settle those cases after the court's final outcome. OSCE and others suggest that the GOC intervene to resolve those cases before the court decision. Given the small scope of the problem, Fuentes noted, it is best for the GOC to be proactive and not to involve the owners in the resolution at all. In our working level meetings, Spancic agreed to such a solution and indicated that the owners will be informed and will not be financially liable.

Regulating Resident Status

¶10. (SBU) Another outstanding issue for refugees is their ability to regulate their resident status. Without clear status, they are unable to access refugee or state programs such as health care, education, etc. The deadline to do so expired in June, 2005 and the GOC has processed most of the individuals who applied. However, several thousand people did not meet the residency requirement as they were not present during the war. The law is being redrafted to meet EU regulations, although that version does not include an exemption from general requirements for refugees. The IC has requested re-opening the deadline and redrafting the law. Kalmeta advised the IC to raise the issue with the Prime Minister.

OSCE: Coordinating Views Regionally

¶11. (SBU) In a separate meeting between the IC Principals, Fuentes told Ambassador about the regional divergence of opinions within the OSCE. Fuentes recognizes Croatia's moderate progress and in fact recently commended the GOC for its attention to national minorities. However, missions in neighboring B-H and SAM believe that the GOC needs to do more, particularly in resolving the OTR issue. Croatia is losing the "diplomatic campaign", he added, in that they are neither clearly explaining their efforts nor

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getting credit for the progress they have made. Following the success of the monthly refugee meetings, the GOC has agreed to establish monthly OSCE meeting with the Ministers of Justice and Foreign Affairs to encourage progress on other OSCE-mandate issues.

¶12. (SBU) In order to better coordinate their regional position on refugee issues, the three OSCE missions met in January. They agreed on a common position for OTR but have not resolved details: Croatia, they believe, should speed up implementation of the OTR program and devise a mechanism for all former OTR holders not included in the program. This would be a "Fair Compensation Settlement". OSCE in Croatia suggests that compensation for those who plan to remain in SAM and B-H be settled in a future succession agreement. It envisages that the IC find donors to provide money or construction material for former OTR owners who do not wish to return. OSCE in SAM and B-H want compensation for those who do not wish to return and presume that funds would come from the GOC. They have not evaluated the scope of either compensation plan.

¶13. (SBU) The missions agreed that Croatia does not need to amend the Law on Reconstruction, as implementation is included in its Road Map. However, they still want to see

progress on several issues that have not been included in the Road Map. Specifically: sharing of war crime lists with regional partners in line with judicial cooperation agreements. (Note: Croatia has already shared its list with the GOSAM); recognition of documents including years worked in Serb controlled areas; regulation of permanent and temporary resident status; resolving unsolicited investment claims; improving minority representation in state administration; and returning agricultural land and business premises.

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